United Nations A/C.2/57/SR.10

General Assembly
Fifty-seventh session

Official Records

Distr.: General
13 November 2002

Original: English

Second Committee

Summary record of the 10th meeting
Held at Headquarters, New York, on Monday, 14 October 2002, at 10 a.m.

Chairman: Mr. Suazo ..... (Honduras)

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The meeting was called to order at 10.10 a.m.

Agenda item 85: Sectoral policy questions

(a) Industrial development cooperation (A/57/184)

(c) Preventing and combating corrupt practices and transfer of funds of illicit origin and returning such funds to the countries of origin (A/57/159 and A/57/159/Add.1)

Introduction and general discussion

1. **Ms. Freudenschuss-Reichl** (United Nations Industrial Development Organization), introducing the report of the United Nations Industrial Development Organization (UNIDO) in document A/57/184, noted that there had been a positive trend in UNIDO performance and delivery of technical cooperation programmes, which in 2001 had reached a level of approximately $85 million. UNIDO had also achieved greater financial stability, given that the collection rate of assessed contributions for 2001 stood at about 92 per cent. With the accession of South Africa, membership of the Organization totalled 169 countries.

2. At the last General Conference, the members of UNIDO had endorsed the process of transformation and stability by re-electing Mr. Carlos Magariños for a second term as Director-General. The revitalization of the role, functions and performance of the organization had been possible because its mandate focused on the dynamic role of industrial growth in the development process and value added created in the process of manufacturing. In the era of globalization, the dynamic and creative role of industry in capacity-building, employment and income generation needed to be re-emphasized.

3. UNIDO had a dual function as a global forum and a technical cooperation partner for developing countries and countries in transition. It enjoyed a comparative advantage in a selected number of technical fields associated with its renewed mandate and the implementation of the international protocols in the area of environment. Following the recent world conferences — in particular, the Millennium Summit, the Third United Nations Conference on the Least Developed Countries, the International Conference on Financing for Development and the World Summit on Sustainable Development, in which UNIDO had actively participated — new opportunities for UNIDO services had been identified.

4. UNIDO remained committed to carrying out its role as a central coordinating body within the United Nations system for providing effective support for sustainable industrial development. It was endeavouring actively to strengthen its cooperation with the rest of the United Nations, as mandated by its Constitution and various General Assembly resolutions. The Director-General of UNIDO had chaired the High-level Committee on Programmes during 2001 and 2002. In 2002, UNIDO had joined the United Nations Development Group (UNDG) and was participating actively in its activities; it was also cooperating closely in the implementation of the Millennium development goals. In addition, it was working to enhance inter-agency cooperation with the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) on trade facilitation, with the United Nations Environment Programme (UNEP) and the International Labour Organization (ILO), and with the regional economic commissions, the Department of Economic and Social Affairs and regional groupings in Africa and other regions.

5. Drawing attention to the conclusions and recommendations outlined in section X of the report, she stressed that UNIDO would appreciate receiving feedback through the debate in the Second Committee and through the decisions of Member States as they would be expressed in a resolution on the topic.

6. **Ms. Hrbkova** (United Nations Centre for International Crime Prevention, United Nations Office for Drug Control and Crime Prevention) introduced the report of the Secretary-General on prevention of corrupt practices and transfer of funds of illicit origin (A/57/158 and Add.1 and Add.2). She noted that the report included a summary of the wide range of measures and initiatives undertaken by Member States as well as by relevant entities of the United Nations system and other intergovernmental organizations to combat and prevent the scourge of corruption and the transfer of funds of illicit origin. The measures undertaken by Member States included harmonizing national legislation with the standards set by international legal instruments, strengthening existing or adopting new legislation against corruption and money-laundering, setting up special units or institutions to fight corruption, establishing financial

units, developing national anti-corruption programmes and strengthening international legal assistance.

7. The report had also been considered recently by the Third Committee during its discussion on crime prevention and criminal justice. On that occasion, several Member States had welcomed the new initiative of the international community to equip the world with a comprehensive and effective international legal instrument to fight corruption and had expressed their support for the work being done by the Ad Hoc Committee for the Negotiation of a Convention against Corruption. Appreciation had been expressed for the comprehensive and balanced approach between prevention and law enforcement contained in the draft text. Various delegations had stressed the importance, especially for developing countries, of including in the new convention effective mechanisms for preventing and combating the transfer of funds of illicit origin, as well as for recovering them.

8. In accordance with General Assembly resolution 55/188, the issue of preventing and combating the transfer of funds of illicit origin and the return of such funds was covered by the draft text of the convention against corruption currently under negotiation in Vienna. The second reading of chapter V would be undertaken at the fourth session of the Ad Hoc Committee, to be held in January 2003.

9. A one-day technical workshop on asset recovery had been held on 21 June 2002, during the second session of the Ad Hoc Committee, with a view to providing interested delegations with technical information and specialized knowledge on the complex issues involved in asset recovery.

10. The Third Committee had decided to submit to the General Assembly two draft resolutions, one on the high-level political conference for the purpose of signing the United Nations convention against corruption (A/C.3/57/L.3) and one on strengthening the United Nations Crime Prevention and Criminal Justice Programme, in particular its technical cooperation capacity (A/C.3/57/L.10).

11. **Mr. Carpio** (Venezuela), speaking on behalf of the Group of 77 and China, said that although globalization was fundamental to economic and social development, it also entailed risks for countries that were not in a position to compete on the world market. Industrialization was an integral part of globalization and was one of the most dynamic factors in the acceleration of economic growth and social development. The Group of 77 and China wished to stress the importance of strengthening production capacity as a prerequisite for overcoming the limitations faced by the developing countries. Industrial development promoted technology transfer and economic growth, opened up market opportunities, attracted investment, created infrastructure and increased the participation of the private sector in promoting development. UNIDO and UNCTAD had pointed to the need for developing countries to gear their economies towards manufacturing, but international cooperation was essential to achieving that goal. Traditional cooperation policies must be revamped with a view to promoting the development of a sound industrial park, and small and medium-sized enterprises must be strengthened and made more competitive. That could be achieved only by creating the necessary environment for the industries of the developing world to penetrate the global economy and enjoy the benefits of true trade liberalization.

12. The Group of 77 and China also attached great importance to the issue of preventing and combating corrupt practices and transfer of funds of illicit origin and returning such funds to the countries of origin. Good governance and strong democratic institutions were important, and it was gratifying to note that a number of countries had adopted policies and measures in that regard. He also welcomed the response of the United Nations system, not only through the activities of the Centre for International Crime Prevention but also through the International Conference on Financing for Development, which had stressed the need to fight corruption at every level.

13. **Mrs. Szczepanski** (Denmark), speaking on behalf of the European Union, the countries of Central and Eastern Europe associated with the European Union (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) and the associated countries Cyprus, Malta and Turkey, expressed the satisfaction of those countries at the results of the reform process undertaken by UNIDO during the last five years. Given the relatively small size of UNIDO, the European Union believed that it was important for it to achieve an even tighter focus of its activities. They also attached great importance to the adoption of the integrated programme approach and redesign of the organization's service modules with a view to

strengthening its contribution to the development targets set out in the Millennium Declaration. A reformed UNIDO must be able to effectively support industrial development in a manner conducive to poverty eradication and sustainable development. It should also strengthen its efforts to form partnerships with the private sector.

14. Given the accelerated pace of globalization, UNIDO should work to ensure that all countries received a fair share of the benefits of economic globalization while at the same time pursuing environmentally sound policies of industrial development. The organization should focus on interventions where it had clear comparative advantages within the framework of its existing mandate. It should pursue activities targeted at strengthening the industrial capacities of developing countries, including capacities to engage in international trade. It was important to help developing countries overcome supply-side constraints in order to enable them to fully profit from trade liberalization, in line with the Doha Development Agenda. In Monterrey, the European Union had also recognized the importance of capacity-building, including productive capacity-building. In that regard, they welcomed the fact that UNIDO was planning to concentrate its activities more on the least developed countries, particularly in Africa.

15. Where appropriate, UNIDO should study further the feasibility of undertaking regional programmes. In addition, it should continue to define the proper role of the field offices so as to ensure that they played an effective role in the implementation of operational activities. The European Union wished to stress the need for coordination among United Nations agencies, funds and programmes.

16. **Mr. Talbot** (Guyana), speaking on behalf of the Caribbean Community (CARICOM), said that CARICOM fully associated itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China.

17. Industrial development was an integral part of the process of transformation and development of the small, open economies of the CARICOM countries. Governments in the region had comprehensive strategies to meet the challenges of productivity, emphasizing macroeconomic stability and incentives for private-sector development and innovation in order to facilitate growth and employment. Many had also made significant investments in physical infrastructure and human resources development to enhance economic performance and productivity. Many developing countries had taken the necessary steps to join the international trading system but had found that conditions within it constrained their prospects for development and that they faced unfavourable or deteriorating terms of trade caused mainly by the subsidies of industrialized countries. Lack of market access in those countries also hampered developing countries' growth even where they had been able to diversify into manufactures. Globalization was passing them by.

18. The industrial development prospects of the small developing economies of the Caribbean were constrained by their limited markets and administrative and institutional structures and resources. Furthermore, their small size made them unable to exploit economies of scale. They had nevertheless made great efforts to improve their capacity to adjust to changing development conditions. The outlay needed to achieve that was enormous: some estimates had put the cost of the structural changes needed to maintain competitiveness at over $20 billion per year.

19. To meet those requirements, the countries of CARICOM would continue to need international support and substantial foreign direct investment, not only in the traditional form of transfers of new technology, but also in the form of new management techniques, new kinds of enterprise links and relations between industry and science, and greater flows of information within their economies. The gaps in their resources should be filled by assistance from agencies such as the United Nations Development Programme (UNDP), UNIDO and UNCTAD, in forms including innovative partnerships. The existing contribution of UNIDO was welcome.

20. The member States of CARICOM reiterated their support for efforts to combat corrupt practices and the transfer of funds of illicit origin, and supported the commitment made under the Monterrey Consensus to negotiate a United Nations convention against corruption in all its aspects. Developing countries needed to be actively involved in that convention as well as in discussions regarding international cooperation in tax matters; many CARICOM countries depended heavily on their financial services sectors.

21. CARICOM called on the international community to ensure that the approach adopted was comprehensive and transparent and involved accountability (particularly in connection with money-laundering), with mutually agreed principles and wide participation in the decision-making process. CARICOM remained committed to working with international development and financial institutions to create a sound and transparent international framework of financial codes and standards.

22. **Mr. Hassan** (Pakistan) said that his delegation wished to associate itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China.

23. Technology and industry were increasing world prosperity, achieving development and combating marginalization. They were a source of economic growth, entrepreneurship, employment opportunities and a foundation for the expansion of both agriculture and services.

24. Although industrialization was essential to achieving the goals of development, many developing countries had been unable to follow that path. Their industries were threatened by a skewed liberalization of trade, in which exports to developed countries had to contend with non-tariff barriers in the guise of high standards, and their domestic competitiveness was harmed by imports from developed countries.

25. The challenge was to create an environment which accelerated industrial development in those marginalized countries; that would require action at the national and international levels. The contributions of UNIDO were significant but would have more impact if the overall international policy framework encouraged wide distribution of foreign direct investment, flows of private finance, market access, external debt relief and greater development finance to promote capacity-building and development of human resources. Industrial development cooperation should be addressed as part of a wider debate on international development cooperation, to promote development in the context of globalization.

26. Corruption, including the problem of the transfer of funds of illicit origin, threatened the peace and prosperity of societies everywhere, afflicting both developed and developing countries. The degree and impact of corruption varied, however, and in the case of developing countries it drained their already meagre resources and caused further impoverishment and indebtedness.

27. Action was needed at the national and international levels. At the national level, efforts should pursue transparency, accountability, effective implementation of the rule of law, regulation of financial systems and establishment of independent oversight bodies. At the international level, they should eliminate safe havens (in forms such as offshore jurisdictions, secret bank accounts and privacy provisions), prevent the exploitation of corruption to gain international business, and complement developing countries' own efforts to repatriate funds of illicit origin and prosecute those responsible for corrupt practices. Efforts at the national level required support at the regional and international levels.

28. Pakistan had taken steps to fight corruption but faced many problems, primarily foreign States' cumbersome and time-consuming judicial requirements and the lack of any comprehensive international instrument. For that reason, Pakistan supported the early finalization of a United Nations convention against corruption, which should cover elimination of safe havens, international cooperation and legal assistance to investigate and prosecute corruption-related offences and to trace, recover and repatriate the proceeds of corruption, and issues relating to the disclosure of information, integrity in political life and corporate governance.

29. The investigations into the financing of the terrorist acts leading to the events of 11 September 2001 had illustrated how criminal elements had exploited the international financial system for terrorist purposes without the knowledge of the international financial system. It was thus essential to prevent the concealment of illegal funds, promote the disclosure of illicitly acquired wealth and prevent the movement of funds to finance criminal activity.

30. Pakistan favoured a multilateral mechanism to monitor the application of the United Nations convention against corruption, in which obligations were clearly defined.

31. **Mr. Stanislavov** (Russian Federation) said that the Russian Federation attached great importance to wider international cooperation in combating and eradicating corruption and the laundering and illicit transfer of funds abroad. It supported the development of an international legal basis to regulate the

repatriation of funds obtained through corruption and illicitly transferred; that legal basis should be explored within the framework of the Ad Hoc Committee for the Negotiation of a Convention against Corruption. The issue was all the more topical because of the role of criminal activity in financing international terrorism.

32. The Centre for International Crime Prevention had made a significant contribution through its workshop on the repatriation of funds, and its consideration of the problem of transfers of funds of illicit origin (especially those derived from corrupt practices) and their effect on economic, social and political development, especially that of developing countries. Those issues should be examined by the Ad Hoc Committee.

33. The Russian Federation had taken practical and legislative measures to combat corruption. It had passed an act on preventing the laundering of proceeds of crime and a presidential decree on a code of conduct for civil servants. An anti-corruption bill was before the Duma, and a national programme and plan of action against corruption were being developed. It had ratified the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of 8 November 1990 and had signed the Council of Europe Criminal Law Convention on Corruption. The practical effect of those steps had been the recognition by the Financial Action Task Force (FATF) that the Russian Federation had made great strides in combating money-laundering, the country's removal from the blacklist of non-cooperative countries and territories, and its being invited to attend the February 2003 meeting of FATF as an observer. The Russian Federation saw that invitation as a first step towards joining the Task Force.

34. Through the reforms it had carried out, UNIDO had consolidated its role as the leading specialized agency dealing with industrial modernization in accordance with the principles of sustainable development, and as a global forum for national, regional and international policy-making in industrial development. The greatest change had been the introduction of integrated programmes focusing closely on the needs of their recipients. The Russian Federation called for UNIDO to retain its universal mandate, and for more effective action in important areas such as promotion of foreign investment, of cleaner production, introduction of internationally accepted standards and transfers of know-how and technology.

35. **Mr. Shinde** (India) said that his delegation wished to associate itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China.

36. Industrial development played a critical role in enhancing the productive capacity of a country's economy, and therefore in promoting the country's development and growth. The developing countries were latecomers to industrialization and were experiencing commercial competition and environmental pressures which developed countries had never faced at the equivalent stage in their economic development. Although the predominantly agrarian developing countries had been able to increase their share of world manufacturing output, they could not keep pace with the needs of their population or the demands of economic and social development, poverty eradication or creation of an industrial base with independent capacity for technological regeneration. Since industry was sustained by technology, transfers of technology to developing countries would help them to accelerate their industrialization.

37. Developing countries were seeking to build industrial capacity at a time of great technological advancements and rapid industrial change. Globalization, meanwhile, had resulted in greater disparities between developed and developing countries. The Industrial Development Report 2002/2003 had confirmed that developing countries could not bear the costs and risks of industrial development alone, and required partners in the government and private sectors to facilitate access to technology. They also needed basic macroeconomic and social structures in order to create a "nurturing environment".

38. Many developing countries had pursued competitiveness by following the textbook path of deregulation, privatization and liberalization of capital flows. However, globalization and market-based liberalization had not delivered the expected industrial development and poverty reduction. The Plan of Implementation for the World Summit on Sustainable Development had called for a greater contribution from industrial development to eradicating poverty, but no new structural links had been created to bring about change, and there was no sign of concrete action to fulfil existing commitments.

39. Developing countries needed support for industrialization from the international community in the form of greater technical assistance, transfer of technology, financial support and foreign direct investment. Foreign direct investment had fallen overall in 2001 relative to 2000, and the developing countries' share of that investment had halved since 1994.

40. Sustained economic development in the developing countries could not be achieved without enhanced and predictable market access for products of interest to them. A fair and non-discriminatory trading regime, without subsidies for agricultural products and manufactured goods in developed countries, would create a more favourable environment for industrialization in developing countries. The interests of the developing countries should be considered in negotiations within WTO and the United Nations system, particularly UNIDO, should enhance technical support programmes in developing countries.

41. Recent corporate scandals in the industrial, banking and other sectors made it difficult to blame corruption on governments alone. India welcomed the work on a United Nations convention against corruption, and hoped that it would result in greater international cooperation and mutual legal assistance, particularly for rapid repatriation of funds of illicit origin to the developing countries to which they rightly belonged.

42. **Mr. Ramadan** (Libyan Arab Jamahiriya) said that his delegation supported the statement made by the representative of Venezuela on behalf of the Group of 77 and China.

43. Industrial development was one of the most dynamic factors in speeding up the pace of economic growth and social progress and he commended the work of UNIDO in that connection to improve the framework of technical cooperation, increase the implementation of programmes and projects, and enhance the participation of women in industrial development.

44. The challenges of globalization required the developing countries to establish appropriate industrial strategies and policies, both nationally and regionally, and to mobilize the necessary resources. In order to enable the developing countries, in particular in Africa, to achieve industrial development, become an integral part of the world economy and overcome poverty, it was incumbent on the international community, including the United Nations system, to create the macroeconomic and social conditions conducive to industrial development in those countries, to enable them to build capacity in the industrial sector and to increase production and improve efficiency, and to develop small and medium-sized enterprises.

45. The developing countries, especially those in Africa, were facing obstacles to their industrial development because of their lack of financial resources and their inability to benefit from the transfer of technology. His delegation therefore called on the international community and the international financial institutions and the funding bodies of the United Nations and regional banks to make available the necessary financial resources for those countries and to support the New Partnership for Africa's Development (NEPAD), and requested the developed countries to facilitate technology transfer to the developing countries on appropriate terms, to support human and institutional capacity-building in those countries and to open their own markets to the output of the developing countries and remove all obstacles that might prevent goods from the developing countries from reaching the market. UNIDO should improve its programme activities to assist the developing countries in institutional and human capacity-building through technical assistance programmes, technical education, greater investment and technology transfer and development of small and medium-sized enterprises.

46. His country had taken legal and institutional measures to identify, prevent and punish corrupt practices, and called on the international community to support the measures being taken at the national level to prevent corruption, bribery, money-laundering and the transfer of funds of illicit origin and to ensure the return of such funds to the countries of origin.

47. **Mr. Andjaba** (Namibia) said that sustainable industrial development could be achieved in developing countries only with the assistance of development partners like UNIDO. Unfortunately, globalization had created more losers than winners, since most developing countries had failed to mobilize and attract enough resources to make their economies competitive and integrate them into the world economy. In that regard, he hailed the efforts of UNIDO to address the globalization challenge directly and thereby help to improve productive capacity in developing countries and economies in transition.

Indeed, UNIDO remained an important and necessary driving force for sustainable industrial development in developing countries. It was particularly gratifying to note that technical cooperation and forum activities remained core UNIDO functions.

48. He welcomed the swift adoption by UNIDO of programmatic reforms, particularly demand-driven integrated programmes tailored to the needs of each country. That approach was compatible with NEPAD, which emphasized national ownership of development programmes. His delegation also welcomed the programme for Women Entrepreneurship Development (WED); the emphasis on food processing industries in Africa was even more relevant given that many countries in Africa, particularly in the Southern African Development Community (SADC) region, were becoming prone to droughts, and food shortages. UNIDO should continue to give high priority to the development and timely implementation of integrated programmes, inter-African cooperation and high-level visits and study missions to Africa in order to implement tripartite initiatives.

49. His delegation welcomed the current consultations between UNIDO and SADC to explore areas of assistance and technical cooperation. Despite the good work that UNIDO was doing, his delegation was concerned at the shortage of resources available to the organization, since that situation would prevent it from meeting the formidable challenge of assisting developing countries in their efforts to attain sustainable industrial development and eradicate poverty. UNIDO should be provided with the necessary resources to expand its integrated programmes and to establish more field offices, especially in developing countries. That would enable it to effectively contribute to the implementation of goals and targets agreed at the World Summit on Sustainable Development. Lastly, his delegation endorsed the Secretary-General's recommendation that UNIDO should continue to improve its programmatic activities in order to help developing countries to build human and institutional capacities and capabilities.

50. **Mr. Popov** (Belarus) said that Belarus attached great importance to furthering its industrial development, a task which it undertook in close cooperation with the international community, international organizations and economic operators in other countries with the aim of introducing the latest technology, equipment and methods.

51. Belarus valued the role of the United Nations specialized agencies in promoting industrial activity in developing countries and countries in transition. Globalization had clearly demonstrated the role of industrial development in securing sustainable economic growth, productive employment and poverty relief. UNIDO had played a leading role, with initiatives for cooperation in trade, technology and energy for sustainable development. An important emerging area was its cooperation with the Global Environment Facility (GEF), which should be encouraged and expanded.

52. The UNIDO integrated programmes were a unique instrument of technical cooperation and partnership. Belarus supported the establishment of a regional programme for the countries of Central and Eastern Europe and the Newly Independent States, and the UNIDO network of International Technology Centres involving national technology centres, industry and funding agencies. A UNIDO project of assistance for creation of infrastructure to support innovative enterprises in the Republic of Belarus had resulted in the establishment of a National Centre for Technology Transfer in Minsk in 2001. UNIDO had also provided valuable expertise in combating industrial pollution and saving energy.

53. It was unfortunate that the emphasis of UNIDO technical cooperation programmes was shifting away from countries with transitional economies, even though modernization of the industrial potential of those countries would pay dividends by speeding up their transition, removing restrictions on foreign investment and enabling industry to earn enough to fund its own future reform and development.

54. Belarus was concerned about the potential damage which corrupt practices could inflict on the social, economic and political development of all countries, disrupting the stability and security of their societies. It recognized how important it was, in accordance with General Assembly resolution 56/186, to take action at the national and international levels against corruption, bribery and money-laundering. In 1997, it had promulgated an Act on measures to combat corruption and organized crime, and an act on efforts to combat corruption was in the final stages of preparation. In 2002, the President of Belarus had approved a State programme to strengthen the fight against corruption for the period from 2002 to 2006. Domestic procedures to ensure the entry into force of

the Council of Europe Criminal Law Convention on Corruption of 27 January 1999 had been initiated. Belarus welcomed the progress in negotiating a United Nations convention against corruption, and hoped that it could be adopted during 2003. The United Nations, through its Office for Drug Control and Crime Prevention, should be more active in providing technical and other assistance, when requested, to help countries to combat corruption and ensure the repatriation of funds of illicit origin.

55. **Ms. Lewis** (International Labour Organization) said that developing countries were diverging rather than converging in terms of output, export and technological upgrading performance, and consequently also in terms of employment growth in manufacturing. In the industrial sector, the ability of countries to generate and sustain employment depended on their capacity to promptly gain access to, efficiently use and keep up with new technologies. Those countries that were able to spend the most on their own research and development would do best in the competitive struggle. Competitive advantage depended on much more than access to commodities or cheap labour.

56. Unfortunately, the prevailing orthodoxy during the last two decades had been far more concerned with liberalization of trade and finance than with more practical issues such as technological competence, skills, work discipline and trainability, competitive supplier clusters, strong support institutions, good infrastructure and well-honed administrative capabilities. Liberalization was often counterproductive because of market failure resulting from such deficiencies as concentrations of market power and lack of symmetrical access to information. International trade and financial organizations must recognize that reality and modify their strategies accordingly.

57. With regard to the goal of improving technological capabilities, she pointed out that the difficulty lay in finding the most effective combination of education, training, work experience, public and policy-supported private research and development within the financial capacity of each country. A related issue was how to encourage trained people to stay in their home countries. Another difficulty facing developing countries was that they could expect little assistance from foreign investment; in fact, total foreign direct investment (FDI) to developing countries was declining. Given the concentration of production and the attractiveness of large markets, most developing countries would continue to be excluded from significant FDI. There were likely to be net costs for them if they vainly attempted to fit into the "golden straitjacket" of policies considered attractive to financial markets and foreign investors. The alternative was to adopt more domestically self-reliant policies combined with increased concessional external finance. Domestic saving must be the major source of private and public funds for investment. Improved international macroeconomic coordination and more representative institutions to manage it were vital for reducing financial instability. Countries that had not yet comprehensively liberalized needed to exercise more caution with regard to the extent and sequencing of financial liberalization. For those countries that had liberalized, the issue was how to escape from the vicious circle of strengthening supervision or selectively re-regulating without increasing the risk premium on their bonds.

58. Increased attention must also be given to the service sector. Services accounted for well over 60 per cent of world GDP and 20 per cent of cross-border trade. A crucial element in national development strategy, especially relating to the growth of employment, was emphasis on increasing employment in services.

59. **Mr. Lewis** (Antigua and Barbuda) said that his country attached priority to the fight against corruption. As a small island developing State with a highly dependent service industry, it was often faced with non-compliance issues with respect to the illicit transfer of funds and the return of such funds to the country of origin, and subjected to unfair pressure by developed countries and international organizations. While his country was committed to working with the international community in its efforts to develop a cohesive, transparent, accountable and practical approach to preventing corrupt practices and the transfer of funds of illicit origin, it was opposed to laying down firm rules about forfeited assets which should be returned to the victim State. While it agreed that the international community must cooperate on that issue, it was of the view that, in the absence of an international instrument and adequate legislation, the receiving country — particularly a developing country with limited resources — should not bear the full cost of investigating and seizing illicit funds. Some type of compensation should be paid in that regard.

60. Indeed, the receiving jurisdiction had to incur considerable expense when setting up the legislative, regulatory and enforcement machinery to identify and seize assets. If the receiving jurisdictions were to get little or nothing from forfeited assets, there was no incentive for them to establish the machinery for identification, forfeiture and cooperation with other jurisdictions.

61. In such circumstances, his Government would be forced to invoke provisions such as article 18, paragraph 28, of the United Nations Convention against Transnational Organized Crime and request payment in advance for the estimated cost of fulfilling requests. That would, unfortunately, have the effect of discouraging requests in many instances. His country had been involved in asset recovery before and had incurred inordinate expenses in securing legal representation. That was why it had established with a number of foreign States mutual agreement whereby the different parties agreed on the distribution formula. His delegation concurred with the views of the Secretary-General on the creation of a legal instrument against corruption. It also agreed that the work of the Ad Hoc Committee would benefit from the wisdom and findings of the global study on the transfer of funds of illicit origin as mandated by Economic and Social Council resolution 2001/13.

62. **Mr. de Rivero** (Peru) said that the application of the model set out in the Washington Consensus, including fiscal discipline, economic and market liberalization and privatization, had led to a measure of macroeconomic balance in Latin America but had neither increased per capita GDP nor contributed to reducing social inequality in the region. According to the latest International Monetary Fund report, 2002 would be the third consecutive year of negative capital balance flow to Latin America and the Caribbean owing, in particular, to the decline in foreign direct investment. In short, because of its rigidity, the Washington Consensus had not produced the prosperity expected in Latin America. Moreover, the recent spate of corporate scandals in developed nations had dampened the faith of the developing world in capitalism. Indeed, it had demonstrated that corruption was not the monopoly of developing countries. He denounced the lack of cooperation on the part of banks in the so-called tax havens when developing countries tried to repatriate illicitly acquired funds and assets. However, in that regard, he wished to congratulate Switzerland for having cooperated with his country to repatriate ill-gotten funds. Indeed, the worst sort of impunity was the impunity granted to the perpetrators of corruption, whether foreign corporations, governments or local authorities. For democracy to continue to thrive, there must be zero tolerance for corruption and influence-peddling. An honest type of capitalism must be found. Peru had learnt from bitter experience that, even under a regime as profoundly corrupt as the one led by former President Fujimori and Mr. Montesinos, it was sufficient to secure some positive macroeconomic results to spark the enthusiasm of a particular sector of the multilateral financial system.

63. The international financial system should not allow itself to be taken in by pseudo-democracies. Any evaluation and monitoring of financial and economic variables should include the concept of democratic governance and human development. That was why Peru supported the negotiations currently under way for the adoption of an international binding regime to combat corruption. In that regard, his delegation particularly welcomed the efforts of the Organisation for Economic Cooperation and Development and other countries, including Switzerland.

64. **Mr. Ashiru** (Nigeria) said that Nigeria attached great importance to the commitment made by world leaders at the Monterrey International Conference on Financing for Development to negotiate and finalize a United Nations convention against corruption in all its aspects. Indeed, well before Monterrey, an Anti-Corruption Law covering a wide range of offences had been adopted by his Government and an Independent Commission had been set up pursuant to that Law. His delegation welcomed the progress achieved thus far by the Ad Hoc Committee for the Negotiation of a Convention against Corruption in Vienna, in particular the broadening of the concept of funds to include both moveable and immovable assets.

65. Since the effects of corruption were felt in the economic, social and political spheres, both the Second and Third Committees should continue to consider the issue of corrupt practices and transfer of funds of illicit origin, which had contributed considerably to capital flight. While Africa was the least developed continent in the world, it ranked highest in terms of capital flight with an estimated $400 billion or more in funds being looted and concealed in foreign banks. Of that amount, an estimated $100 billion or more was from Nigeria. According to his Government's estimates, Nigeria's

total external indebtedness stood at $28 billion, approximately 28 per cent of the total funds siphoned out of the country.

66. Corruption and the illicit transfer of funds impeded sustainable development and political stability. Ill-gotten wealth was used to acquire weapons, finance terrorism and fuel domestic conflict. Therefore, as part of its support for durable peace and sustainable development in Africa, particularly the NEPAD initiative, the international community must make genuine efforts to swiftly conclude the Vienna negotiations and adopt a comprehensive international convention against corruption in all its aspects. His country had transmitted its report on measures taken to curb corrupt practices to the Secretary-General and it urged other Member States to promptly submit their reports on that topic. His delegation supported the lifting of banking secrecy, which enabled corrupt clients in Africa to find safe havens for their dirty money.

67. **Mr. Blanco** (Dominican Republic) said that promoting the productive capacity of developing countries as a condition for sustainable development would improve industrial competitiveness at a time when all public discourse focused solely on the opening up of markets and free trade agreements. His delegation hoped that the United Nations would provide more direct support in that regard.

68. Referring to corruption, he noted that recent developments in the corporate world had demonstrated that developing countries did not have a monopoly of corrupt practices. That scourge must be combated in a holistic manner by developed and developing countries alike through the establishment of fair, non-discriminatory and universally applied rules. His country, one of the first to have established a department for the prevention of corruption, had identified and prosecuted many cases of corruption. Unfortunately, few people had been convicted due to legal manoeuvring. However, the Government was working hard to stamp out that scourge and eagerly awaited the future United Nations convention against corruption.

The meeting rose at 12.25 p.m.